

**Play Capital Performance Summary**

Public Markets	Return on Investment (ROI)
2024	42.04 %
Private Markets	Total Value to Paid-In Capital (TVPI)
2024	1.85 X
Total Portfolio	Distributed to Paid-In Capital (DPI)
2024	-

Dear friends of Play Capital,

We are pleased to share with you our second annual letter, providing insights into our activities and sharing our thoughts on technology, markets, and our mission.

These letters serve as a record of our thoughts, ideas, and reflections, helping us track our journey and growth. While primarily intended for internal use at Play, we publish them openly as a commitment to accountability and transparency.

**Investment Philosophy**

After a year of operations, we've gained valuable insights that have helped us refine our investment philosophy. As we continue to grow and adapt, we'd like to share some of the core principles that guide our approach. While adjustments will be made as we move forward, there are certain core values we will always remain committed to.

**1. Staying nimble**

In our 2023 annual letter, we highlighted that *"organizational and portfolio complexity are the enemies of returns"* - a principle that continues to guide us. Staying lean and adaptable is fundamental to our approach. Both the size of our organization and the scale of our investments remain central to our strategy. For us, growth will be driven by performance, not by gathering assets or expanding with team members.

**2. Hyper-selection**

We are highly selective about the founders and operators we choose to partner with, which is why we make only a few investments each year. We believe that only a small number of founders and operators have the potential to truly disrupt industries and generate significant shareholder returns. Large portfolios often dilute focus and lead to superficial innovation. Diversification and "spray and pray" strategies are for those lacking conviction. In contrast, we prefer to double down—and ideally, triple down—on our best opportunities. In our first year, 40% of our total assets were concentrated in a single investment.

**3. Founder- and operator-centric**

After more than a decade of assessing early stage investors, one truth stands out: *The best prioritize founders and operators. Good investors focus on markets. The worst focus on products.* Markets and products change, but founders and operators endure.

# PLAY

Our approach prioritizes founders and operators above all else, embodying a *"founder/operator first, everything else second"*-philosophy in every investment and partnership. We actively seek out individuals with distinctive mindsets and skill sets often overlooked by other investors. We recognize that true outliers are rare and emerge unpredictably. There may be stretches of months or even years without discovering a standout candidate. At other times, we encounter multiple extraordinary founders and operators simultaneously—visionaries who are building, raising capital, and leading companies in collaboration with us.

## 4. Reinvention

Expertise can become obsolete within just a few years. In a rapidly changing environment, adaptability is key. The markets move so quickly that while deep domain knowledge can be an advantage, it can also leave you stuck in outdated strategies. Relying on past successes or becoming overly technical misses the bigger picture. The best companies win by attracting top-tier talent and cultivating the right culture—this is where the focus should be. Mediocre teams and oversized funding rounds are what kill companies.

## 5. The importance of market inefficiency

Insight, skills, knowledge and network can create advantages, which can lead to stronger investment results. However, we don't think these advantages are achievable in highly efficient markets, where all participants have access to the same information. Instead, we focus on less efficient markets, where a disciplined approach to our advantages has a higher likelihood of benefiting us.

## 6. The power of specialization

Specialization is the clearest path to achieving our goals, so we strictly focus on selected sectors, niches and investment strategies and execute it to the highest standard.

## **2024: Challenging Capital Market for Norwegian Early-Stage Companies**

2024 reinforced the trends we observed in 2023, shedding light on the ongoing challenges in the capital market for early-stage companies in Norway. Several factors continue to shape this difficult landscape:

- Negative trend in equity valuations: valuations are being recalibrated, with many early-stage companies facing a downward trend as the market adjusts to new realities.
- Low trading volume and liquidity: the market remains thin, characterized by limited trading activity. This scarcity of liquidity poses challenges for early-stage companies seeking to raise capital or engage with potential investors.
- Few exits and a closed IPO window: the opportunity for exits remains scarce, with M&A deals few and far between, and the IPO window effectively closed. This lack of exit options is contributing to a cautious investment climate, as investors hesitate to deploy capital without clear paths to liquidity.
- Opportunities for investors with liquidity: investors with liquidity are well-positioned to achieve strong returns. The scarcity of capital in the market allows investors to negotiate favorable terms and identify undervalued opportunities.

Given the ongoing scarcity of M&A deals and IPO opportunities, we maintain our outlook that the seed and venture capital markets will remain thin for the foreseeable future. We expect these challenges to persist throughout 2025, making it a critical time for companies and investors to navigate carefully.

During 2024, we did not make any new investments in Norwegian early-stage companies. Instead, we focused on our existing portfolio and doubled down on several of them.

# PLAY

## Bitcoin Thesis

While short-term factors —such as the introduction of new U.S. Bitcoin ETFs, the Bitcoin Halving on the 19th of April and the U.S. Presidential Election —generated attention, the long-term investment case for Bitcoin rests on broader macroeconomic trends. At Play we see three main drivers of Bitcoin's future appreciation:

- 1) Bitcoin as a Global Reserve Currency: with its borderless, neutral nature, Bitcoin is positioned to emerge as a viable alternative to national currencies, potentially becoming a global reserve currency.
- 2) Financial Independence: Bitcoin provides individuals with a way to hold and control their own money, free from government manipulation or seizure.
- 3) The U.S. Dollar's Decline: As the U.S. debt burden becomes increasingly unsustainable, the real value of the dollar can erode through inflation. In this scenario, investors may turn to Bitcoin as a liquid, non-inflationary asset, further driving demand and increasing its value over time.

Given its characteristics, we believe Bitcoin will play a pivotal role in shaping the future of financial systems and societal structures. In line with our view, we maintain substantial exposure to Bitcoin, both directly and indirectly, through a diverse array of investment vehicles.

## Spotting VC Outliers

In 2024, we launched *Nova by Play*, a sub-division focused on identifying and backing exceptional venture funds worldwide.

Since our first VC investment in 2010, we've built a diverse portfolio across 30+ funds. Our returns as LPs? Only a small fraction have exceeded market expectations, with most falling short—an industry-wide issue, as institutional data confirms that the majority of VCs fail to achieve > 2x net returns.

Our takeaways:

- (i) Diversification doesn't work in venture capital.
- (ii) Venture capital only works in the top quartile: in the top quartile, and especially the top decile, venture remains a great asset class.
- (iii) In the median, venture is a mediocre asset class when factoring in illiquidity and risk.
- (iv) Selecting the right managers and venture strategies is critical to achieving top-quartile returns.
- (v) Brand-name funds like a16z and similar have shifted from traditional venture to an asset manager model, focusing on scaling AUM and investing heavily in "generational" companies at premium valuations. As a result, their returns are likely to be affected.
- (vi) Focus on specialized, non-consensus strategies to drive stronger returns. Managers who steer clear of crowded, high-valuation, brand-driven deals are better positioned to deliver superior performance.
- (vii) The best managers, who focus on unique opportunities and possess domain expertise that gives them a competitive edge, can continue to produce outstanding returns even as the industry matures.

# PLAY

Our belief in the above is why we launched *Nova by Play* where we aim to do disciplined investments in consistent top performers. By 2025's end, we'll share more of our insights, and if *Nova by Play* can become a lasting pillar of Play Capital.

## 2024 Highlights

(i) We expanded with one partner for our India Branch, but we are still a small number of like-minded individuals working together. We believe this set-up will generate the biggest success for us.

(ii) The first ever Play Annual Dinner was held in Singapore during September 2024 combining it with visiting our portfolio companies and also making our first investments in India.

(iii) We launched "*Nova by Play*", a new initiative where we identify and bet on outlier funds and managers across the globe.

## 2024 Summary

(i) **We will continue to spend a lot more time on our existing portfolio** as we see potential in a wide range of companies and believe it will be a high return on time for us.

(ii) **We remain committed to B2B SaaS and crypto**, continuously identifying, building, and supporting founders and operators in the sub-sectors we love, while doubling down on opportunities we believe in.

(iii) **We stuck to a much stricter entry pricing in 2024** and were able to ensure this across all of our investments. In many cases, we were able to collaborate with founders to figure out the valuation that was right rather than simply high or low.

(iv) **We were vocal about our concern about costs** and maintained our position that similar outcomes can be delivered by companies at a far lower cost base.

(v) **Fundraising was still hard in 2024**, but with realism we raised strong follow-on rounds including over-subscribed rounds in multiple companies.

## Navigating 2025 and some predictions

(i) **We are going into 2025 with a strong foundation in place in most companies** — and with founding teams who have re-underwritten their conviction in their vision.

(ii) **Most companies want to get to clear and consistent profitability** so they are on an infinite runway. Strict financial discipline has shown to be the biggest needle mover at companies that improved on all fronts the fastest.

(iii) **The effects of the 2021 investment bubble are nearly fully realized**, with most markdowns and shutdowns completed in 2025.

(iv) **The anticipated interest rate cuts in 2025 will boost valuations of technology companies**, potentially catalyzing a surge in IPO and M&A activity.

(v) **With private equity dry powder at record levels**, we foresee a robust uptick in both public offerings and strategic acquisitions, creating opportunities for growth and consolidation in the technology sector.

# PLAY

(vi) **Private equity firms will be increasingly acquiring venture-backed companies** that, while lacking high growth, are stable enough for such transactions.

(vii) **The secondary market in venture capital will become more institutionalized**, with new secondary firms emerging and continuation funds reaching record levels.

(viii) **Larger venture capital firms will be expanding into the private equity sector.**

(ix) **More asset managers will be investing in both private and public markets**, leading to an increase in crossover investment products.

Looking forward and beyond 2025 we have an exciting mix of ideas, founders, and investments lined up. I'm eager to improve on every front—from identifying exceptional founders and operators early to securing allocations in competitive rounds—all while driving strong returns for Play Capital's shareholders.

## **Thank you!**

Building and investing in early-stage technology companies is hard, and it is not possible to succeed and scale without having a high-quality network that trusts you, supports you, advises you and cheers for you. So, a big thank you to our founders, operators, LPs, co-investors and advisers for being supporters and friends of Play Capital.

Respectfully,

Rony Solaiman  
Founder

**Disclaimer:** Any opinions in this letter (this “**Letter**”) are Play Capital's views and are provided for educational purposes only. None of the above is investment advice, a recommendation or an offer to sell, or a solicitation of an offer to buy, any securities or investment products. Statements in this Letter are made as of the date of this Letter unless stated otherwise, and there is no implication that the information contained herein is correct as of any other time. Certain information contained in this Letter has been obtained from sources believed to be reliable and current, but accuracy cannot be guaranteed. References herein to specific sectors are not to be considered a recommendation or solicitation for any such sector.